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OFFICE OF CHINESE AFFAIRS
OCT 26 1951
DEPARTMENT OF STATE

SUBJECT: Monthly Political Report on Nationalist China, September 1951

Direction to DC/R

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Summary - In September 1951 the Executive Yuan promulgated legislation for the establishment of a Formosa Provincial Council whose members are to be elected by district and municipal councils and whose enlarged powers will include review of the provincial budget and accounts. Elections for the new body are to be held November 18. Although indirect election of the Council's members was not popular among many Formosans, it was still generally recognized that the set-up of the new Council and the calling of elections was a step forward in democratic self-government in Formosa.

Towards elimination of duplicating functions and conflicting jurisdiction between the national and provincial governments, there was much discussion, but no definitive result, regarding a reorganization of governmental activities in the economic sphere. The merging of several government agencies such as the Provincial Production and Supply Boards, the National Resources Commission and the Ministry of Economic Affairs into an "Economic Mobilization Board" seemed a likely development.

Outcry against China's exclusion from the Japanese Peace Conference and demands that she be invited to participate were prominent features of press and official comment during the month. At the same time hopes were entertained that the prompt establishment of a Japanese Government Overseas Agency in Taipei would facilitate the conclusion of a bilateral peace treaty between the Chinese and Japanese Governments at an early date.

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Formosa Provisional Council

On September 25, 1951, the Executive Yuan promulgated "Organic Rules for the Formosa Provisional Council" and "Rules for Election and Recall of Members of the Formosa Provisional Council". This legislation provides that members of the Council shall be elected by the district and municipal councils--rather than by direct popular election. Representation according to population of the various districts and municipalities, representatives for the aborigines and election of women councilors

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are significant requirements for the election of Council members, who will apparently number 51 (including 3 representatives of the aboriginal areas).

Elections for the Council are to be held on November 18, 1951, so that by December 10, 1951, the new body may be inaugurated and have sufficient time to study the 1952 provincial budget.

The Council is authorized, inter alia, (1) to review provincial budgets and audit provincial accounts; (2) to question matters of provincial administration; (3) to pass on proposals originating with the Provincial Government; (4) to suggest improvements in provincial administration and (5) to make provincial regulations concerning the people's welfare and obligations.

Unresolved differences between the Council and the Provincial Government are to be submitted to the Executive Yuan for final decision.

Although many Formosans were disappointed that members of the Council are not to be directly elected by the people, the fact remains that the establishment of the new legislative body will represent a significant advance in local self-government. An increasingly articulate Formosan public opinion, desire on the part of liberal Chinese elements to extend democratic government in Formosa and the presence of a growing number of American advisers and observers on the island were potent factors in bringing about these progressive measures.

Legislative Yuan

The eighth session of the Legislative Yuan, which held its first meeting on September 1, 1951, with 341 members present, met intermittently during the month. The legislators' sharp criticism of the Yuan President, Mr. LIU Chien-chun, for incompetence, arrogance and mishandling of funds and the appointment of a 15-man committee to investigate these charges against him were featured in the local press. Considerable liberalization of the provisions of a draft Publication Law occurred as a result of a number of legislators' objections to the draft as unduly restrictive of freedom of the press and excessively severe in its penalties. On September 4 the Yuan sent a telegram to the United StatesCongress, requesting the latter's aid in having China invited to the Japanese Peace Conference at San Francisco and asking that a Pacific security system with Chinese participation be established at an early date.

Executive Yuan Planning Committee

The Planning Committee of the Executive Yuan, whose membership of 288 includes many present and former high-ranking officials of the Chinese Government, met from September 20-23, 1951, to discuss

economic and social programs drawn up by some of its subcommittees.

The Edonomic Sub-Committee, basing its suggestions for economic reform on Dr. SUN Yat-sen's principle of the people's livelihood, advocated full employment, social insurance, more equitable distribution of wealth, development of natural resources and scientific and industrial development.

Three different programs of land reform (to be implemented after the mainland's recovery) led to much discussion but to no conclusive decision. The first program called for nationalization of city land and "land for the tillers" in the case of farm land. The second advocated nationalization of all land. The third proposal differed from the first in that it suggested progressive taxation rather than nationalization of the land. Prime Minister CH'EN declared that the land reform should follow these three principles: (1) rent reduction, (2) land nationalization* and (3) land for the tillers.

Economic Mobilization Board

A certain measure of overlapping jurisdictions and duplicating functions between economic agencies of the national and provincial governments--and perhaps even more the increasing gravity of both governments' fiscal problems and of a developing inflationary threat--has caused in recent months active planning for rationalization of governmental activities in the economic sphere. In this connection, much effort was given in September to the prospective establishment of an "Economic Mobilization Board", which reportedly would absorb several existing agencies and would have broad powers over production, trade and finance. Although it has been widely reported that the Board would result from a merger of the Ministry of Economic Affairs, National Resources Commission, Central Trust, Provincial Production Board and Provincial Supply Board, it now seems more likely that not all of these organizations will be included in the new agency and that the latter will not have as great authority as was once anticipated. It is intended, in any event, that it should be a supplement, not a competitor, to the Economic Stabilization Board, which will continue to hold its pre-eminent position in the direction of Formosa's economic affairs. That Governor K. C. WU may likely head the new board--as he already does the Economic Stabilization Board--would help greatly to prevent conflict between the two organizations. Delay in deciding upon the present governmental institutions to be taken over by the Economic Mobilization Board and in actually setting it up is attributable, in part, to jockeying for personal position by those who would be much affected by this new alignment of national and provincial

* By "land nationalization" is meant taking over by the government of large land holdings for resale to landless farmers or small holders on very favorable terms.

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government operations.

Anti-Communist Measures

In accordance with "Measures Relating to the Encouragement of Detecting Communist Elements" and "Measures Governing Voluntary Surrender of Communist Elements and Communist Collaborators" (publisned September 13, 1951) rewards are offered by the Government for information on Communist subversive activities and a procedure for voluntary surrender of those who have been Communists or who have associated with Communists is outlined.

Although the Chinese authorities state that the publication of these measures at this time is not due to any increase in Communist activity on the island, the attention given them in press and official statements would seem to indicate some concern. The regulations will provide greater incentive to informers on Communist machinations --among other reasons--because those who give such data will not be regarded as suspect on the grounds of Communist associations. Withholding information about fifth column operations, as well as making false accusations, is subject to punishment. It is to be feared, however, that governmental pressure on the public to become informers may necessarily lead to some denunciations by persons seeking to cast suspicion on others for ulterior motives.

In connection with these regulations, Foreign Minister YEH declared that the Communists are certain to accelerate their fifth column work as a prelude to the next world war and that accordingly efforts to exterminate Communist influence in Formosa constitute "another storm warning to the whole world".

Japanese Peace Treaty

The outcry against the Republic of China's exclusion from the Japanese Peace Treaty Conference and demands that China be invited to the Conference, which continued unabated during September, have been sufficiently recounted in the two preceding monthly political reports to make further description in this survey unduly repetitious. (See also Despatch No. 133, October 2, "Participation of the Chinese Government in the Japanese Peace Settlement").

Although increasingly concerned over the possibility that the Japanese Government might wish to delay signing a bilateral peace treaty with the Chinese Government, the Foreign Office at Taipei worked actively on the draft of such a treaty, sought a formula which would meet Japan's presumed insistence that the treaty's application be limited to territory under China's effective control and awaited the establishment of a Japanese Government Overseas Agency at Taipei and the appointment of an Agency chief who would be empowered to discuss the Sino-Japanese bilateral peace treaty.

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(On October 1 the Ministry of Foreign Affairs announced that a Japanese Government Overseas Agency would be established at Taipei as soon as practicable and on October 5 the Ministry telegraphed the Chinese Mission at Tokyo its agreement to the appointment of Shiroshichi KIMURA as chief of the Agency.)

Chinese Good Will Mission from Indonesia

During September a Chinese Good Will Mission from Indonesia inspected military installations and industrial establishments throughout the island. It was entertained by the Government's highest officials, including the President and Prime Minister. The Mission declared that the overwhelming majority of Indonesia's two million Chinese residents support President CHIANG and his government, stated that the Indonesian Government gives protection to Chinese lives and property and expressed satisfaction at marked advances in military preparedness, economic development and democratic government on Formosa. The delegation's visit, it is believed, reflects heightened effort by the Chinese Government and Kuomintang to gain overseas Chinese support and increased opposition of Chinese in Indonesia to the Communist China regime and its agents abroad.

General P. T. MOW Case

Towards documenting the Chinese Government's case against General P. T. Mow, a five-man mission, headed by Vice Minister of Justice, CHA Liang-chien, flew to Washington the last part of September. On the assumption that Mow will remain incalcitrant, the Government plans to ask Roscoe POUND, Owen ROBERTS, Frank MCCOY or Charles EDISON to serve, along with HU Shih, as chairman, T. F. TSIANG, Hollington TONG and LEE Wei-kuo, on a Committee of Review to peruse the documents on the case and to bring forth a report, which the Government intends to publish regardless of its nature. Legal proceedings against Mow will be the final step but one which the Government is reluctant to take because of the great expense involved in a long-drawn-out law suit which would likely have negative, if not inconclusive, results. The Government has only slight hope that Mow might break away from Colonel HSIANG and obey his government's orders. The mud-slinging campaign of Mow and Hsiang against their government and the great attention the American press has given their accusations have, of course, perturbed the Chinese authorities here, who are jealous of their improved reputation abroad for honesty and competence and are fearful that the wide publicity given charges of graft and ineptitude against them might jeopardize the United States military and economic aid program for Formosa. They preferred, however, to gather together an impressive collection of evidence for appropriate later release to the American people rather than rush into a name-calling contest.

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